SEMIANNUAL REPORT TO CONGRESS ON AUDIT FOLLOW-UP

NO. 22

OCTOBER 1, 1999, through MARCH 31, 2000



Prepared by: Office of the Chief Financial Officer

TABLE OF CONTENTS

Overvi	iew	
	Reporting Requirements	3
Chapte	er One	
	Management Involvement in the Audit Resolution System	5
Chapte	er Two	
	Audit Activities During the Period	8
Chapte	er Three	
	Reports Pending Final Action One Year or More After Issuance of a Management Decision	11
Appen	ndices	
	List of Abbreviations	19

OVERVIEW

The Department of Education (Department) submits its twenty-second semiannual audit activity report in accordance with the requirements of section 106(b) of the Inspector General Act Amendments of 1988. This report provides an overview of audit activity during the six-month period -- October 1, 1999, through March 31, 2000. It also highlights significant audit management initiatives and accomplishments undertaken by the Department.

The Department's continuing commitment to an efficient and effective audit resolution system has been demonstrated by its efforts with the Cooperative Audit Resolution and Oversight Initiative (CAROI) as well as its efforts in improving the system for tracking audit recommendations. During this semiannual period, the Department initiated two CAROI projects, for a total of 31 projects in 21 states, the District of Columbia and two territories. Also during this period, the Department began the development of a central database system to monitor the implementation of audit recommendations originating from the Office of Inspector General (OIG) and General Accounting Office (GAO) audit reports of the Department's internal operations. Both of these noteworthy initiatives are discussed in detail later in this report.

Audit Resolution Activity

- ◆ Management resolved 64 percent of the audit workload during the reporting period (735 out of 1,142 audits).
- At the end of the reporting period, the Department had an inventory of 198 audits with disallowed costs totaling \$17 million. During the semiannual period, final action was taken on 153 audits totaling \$41 million. (See table on page 9.)
- Two audit reports with a total of \$2 million of recommendations that funds be put to better use (BUF) were awaiting final action at the end of the semiannual period. During the semiannual period management concluded that a BUF recommendation of \$109 million should not or could not be implemented or completed. (See table on page 10.)
- At the end of the semiannual period, 123 reports were pending final action one year or more after issuance of a management decision. Disallowed costs associated with the 123 reports totaled \$83 million (includes interest, penalties, and administrative costs). Reasons for final action not being taken within a year included bankruptcy proceedings in process, billing cycle in process, and under review by the Department's Financial Improvement and Debt Management Group. (See table on pages 11 through 13.)

OVERVIEW

Reporting Requirements

Section 106(b) of the 1988 amendments to the Inspector General Act of 1978 (P.L. 100-504) specifies the requirements governing the submission of this report. The following table lists these requirements and the applicable pages in this report.

Citation	Topic	Section	Pages
106(b)(2)	Statistical tables showing the number of audit reports and dollar value of disallowed costs	Table I	9
106(b)(3)	106(b)(3) Statistical tables showing the number of audit reports and dollar value of recommendations that funds be put to better use		10
106(b)(4)	Statement on audit reports where management decisions have been made but final action has not been taken within one year of the management decision	Table III Table IV Table V	11 – 13 14 – 16 17

OVERVIEW

Audit Follow-up at the Department

Organization: The Chief Financial Officer, as the Department's Audit Follow-up Official, oversees the follow-up on audit findings and recommendations, including resolution and implementation of corrective actions with coordinating support from the Office of the Inspector General. The duties and responsibilities are noted as follows:

- ensuring that a system of audit follow-up and resolution is documented and in place;
- ensuring that timely responses are made to all audit recommendations;
- ensuring follow-up on corrective actions; and
- resolving disputes regarding the necessity or adequacy of proposed corrective actions.

Assistant Secretaries within the Department are charged with the timely resolution of audit reports and ensuring that appropriate corrective actions have been taken on agreed upon audit recommendations.

Semiannually, Principal Offices (POs) within the Department report to the Audit Follow-up Official on the status of actions taken to implement audit recommendations. The information provided by the POs provides the basis for the data described in this report. To keep a sustained focus on implementing corrective actions, the Department is moving towards quarterly status reports.

Audit Follow-up Mechanism: The Department uses a Common Audit Resolution System (CARS) for tracking the post-audit process. CARS links the POs that have audit resolution responsibilities and/or requirements via a local area network, and allows remote query, data entry, and printing of reports by all users. To increase the efficiency of the audit follow-up process, a supporting database is currently being developed by the Office of the Chief Financial Officer (OCFO). The new database will allow tracking at the finding as well as the recommendation level for OIG and GAO issued internal audit reports. This system is being developed by OCFO in conjunction with OIG and other POs within the Department. The new database will be tested and piloted during the next semiannual period.

CHAPTER ONE

Management Involvement in the Audit Resolution System

In the Department's commitment to build upon its post audit reinvention activities we have two noteworthy activities.

♦ Cooperative Audit Resolution and Oversight (CAROI) Initiative

The Department has been working with states and school districts to provide support and flexibility to implement legislative requirements without impairing accountability for results. Since its inception in July 1995, the Cooperative Audit Resolution and Oversight Initiative (CAROI) has used four strategies to advance this objective: (1) creating and maintaining dialogue with states, (2) working with states to address audit findings that are open or under appeal, (3) improving the process used in single audits of federal aid recipients (annual or biennial evaluations of financial operations and compliance requirements of all major programs in accordance with the Single Audit Act), and (4) coordinating within ED the resolution of audit findings with monitoring site visits and technical assistance. The CAROI program is a previous winner of Vice President Gore's Hammer Award, and The Association of Government Accountants has recognized this innovative program as a government-wide "Best Practice."

Increased Number of CAROI Projects - As of March 31, 2000, ED had undertaken 31 CAROI projects in 21 states. CAROI serves as a collaborative method that links program, finance, auditing, and legal staffs at the federal and state levels to provide alternative and effective approaches to resolve findings and recurring problems identified through audits. The goal of CAROI is to improve education programs and the management of those programs at state and local levels through better use of audits, monitoring, and technical assistance. A primary objective of addressing issues in a straightforward and collaborative manner is to minimize costly litigation.

Reduction of Recurring Findings/Management Decisions Under Appeal - The record shows that, overall, the Department is experiencing a reduction in recurring findings each year as the innovative partnerships among federal, state and local officials, auditors, and program managers continue to increase and provide creative and practical approaches to resolve audit findings as well as their underlying causes. ED has also experienced a reduction in the number of states under litigation as a result of audit appeals (in 1993, management decisions on approximately 22 state audits were under appeal versus 2 in 1998), which is a substantial cost benefit both at the state and federal levels. These reductions in recurring findings and appeals have been accomplished while at the same time ensuring that our recipients of federal education funds are not compromising the integrity, accountability, and purpose of those funds or, to put it simply, to ensure that students receive the maximum benefit of education programs.

CAROI Process

CAROI functions as a *responsive* as well as *proactive* process. Reactively, it addresses findings identified in audit reports. It also can function proactively to provide preventive measures to avoid situations that may lead to an audit finding.

CHAPTER ONE

Management Involvement in the Audit Resolution System

CAROI as a responsive process employs three basic models.

Model A -	Considered the most standard application in resolving single
Operational CAROI	audits. Audit resolution specialists independently or through self-
	directed teams, address less complex or less controversial audit
	findings.
Model B -	Encompasses limited scope projects managed by a federal level
Strategic CAROI	CAROI team and an appointed working team from the federal,
	state and local levels. Generally in this model, the teams address
	one or two audit issue areas that involve complex, cross-cutting or
	recurring findings.
Model C -	Encompasses broad-based projects managed by a federal CAROI
Comprehensive team and appointed teams from the state level. In this m	
CAROI	teams address a number of complex and recurring audit findings
	and audit issue areas.

CAROI can also function *proactively* to avoid circumstances leading to audit findings and improve program management and performance. At any time, states may request ED CAROI team members to review certain state or local procedures. In this way, states may implement a system of best practices to improve services before a problem occurs. In addition, the CAROI concept is currently being introduced to ED's program review teams to provide improved services to our grantees by effectively linking audits with the Department's monitoring and technical assistance efforts. CAROI also works proactively through the sharing of information via ED's web site (www.ed.gov/inits/CAROI), professional organizations, and national and state conferences.

CAROI has six key principles that are applied throughout the audit resolution process.

Principle 1:	CAROI takes full advantage of opportunities for open dialogue		
Communication	among all participants in resolving audit findings.		
Principle 2:	CAROI encourages collaboration among participants involved in the		
Collaboration	resolution of an audit from federal and state levels, including		
	representatives from program, finance, legal, and audit		
	organizations.		
Principle 3:	CAROI fosters a sense of trust among the participants involved in		
Trust	resolving audit findings.		
Principle 4:	CAROI creates an open environment for the participants to identify		
Understanding	problems and mutually create solutions.		
Principle 5:	CAROI encourages negotiating a resolution of audit issues that is		
Resolution	responsive to the needs and interests of all of the participants and		
	helps to prevent recurrence of the audit findings.		
Principle 6:	CAROI encourages the sharing of solutions achieved through the		
Sharing	process.		

CHAPTER ONE

Management Involvement in the Audit Resolution System

The CAROI Team selects states to participate in the CAROI process if they meet the requirements of a CAROI state and willingly agree to participate. States can also request to partner with the Department as a CAROI state.

A CAROI Guide, "Discovering New Solutions Through Cooperative Audit Resolution," has been published and can be found at the CAROI web site (www.ed.gov/inits/CAROI). The guide is being used collaboratively by post audit personnel to integrate CAROI principles into all appropriate audit resolution activities of the Department.

♦ Central Automated Database to Monitor Implementation of Recommendations Originating in OIG and GAO internal reports

The Department periodically conducts reviews of the audit follow up function and the needs of the offices involved in this process, (i.e., OCFO, OIG as well as POs). During a recent review, it was determined that certain queries could not be made from the information on OIG and GAO issued internal reports that is provided by the current automated systems. Information not readily available included statistics detailing the number of open/closed findings and/or recommendations in any one particular audit report, or the number of recurring findings identified in more than one report. To correct this problem, the Department began the development of a database that will track at the level of findings and recommendations. The database will give management the ability to more effectively identify "cross cutting" and other significant findings and recommendations and to more efficiently monitor the progress made to take corresponding corrective actions. The OIG and the Office of Student Financial Assistance (OSAF) have provided valuable support in this effort. The Department looks forward to providing a status update on the system development and testing in the next semiannual report.

CHAPTER TWO Audit Activities During the Period

♦ Management Decisions

As required by OMB Circular A-50, "Audit Follow-up," all audit recommendations are to be resolved within six months of issuance of an audit report. This chapter provides information on management decisions and final actions regarding audit recommendations.

Workload

During this reporting period the Department's total audit resolution workload was 1,142 audits. Workload includes overdue audits from the previous semiannual period (64 audits) plus audits due for resolution from October 1, 1999, through March 31, 2000 (1,078 audits). Of the Department's total audit resolution workload, six percent (74 audit reports) remain unresolved six months after issuance.

Semiannual Workload Periods		Management Decisions	Over Six Months Old	% of Workload Over Six Months Old
10/1/99 - 3/31/00	1,142	736	74	6%
4/1/99 - 9/30/99	1,162	779	64	5%
10/1/98 - 3/31/99	1,114	916	85	8%
4/1/98-9/30/98	698	481	74	11%
10/1/97-3/31/98	1,060	601	95	9%

Management Decisions

During the semiannual period a total of 735 management decisions were made. Management decisions include all audits that were resolved by the Principal Offices from October 1, 1999, through March 31, 2000, including those that were not in the workload for this semiannual period. It is important to note that the audits in the workload do not include audits issued during this six-month period. Audits issued during the period are due for resolution in the following semiannual period.

Audits Resolved by Each Principal Office				
OCFO	31			
OESE	7			
OSERS	3			
SFA	688			
OUS	1			
OVAE	6			
TOTAL	736			

CHAPTER TWO Audit Activities During the Period

♦ Audit Activities Related to Disallowed Costs

Table I presents statistical information on the Department's audit recovery activities related to disallowed costs. *Disallowed costs* are questioned costs that management, in a management decision, has sustained or agreed should not be charged to the federal government. This Table includes only audit reports for which receivables were established.

Table I
Final Actions on Audit Reports with Disallowed Costs

	Number of Reports	Disallowed Costs
A. Balance reported at the end of previous period	243	\$200,116,777
B. Plus: Audit reports with management decisions made during the period (includes interest, penalty and fine accruals)	108	14,111,744
C. Total audit reports pending final action during the period	351	214,228,521
D. Less: Audit reports with final action taken during the period	153	
1. Collections		15,616,307
2. Other reductions		25,110,123
3. D.1. plus D.2.		40,726,430
E. Audit reports pending final action at the end of the period (subtract D.3. from C.)	198	\$173,502,091

CHAPTER TWO Audit Activities During the Period

♦ Audit Activities Related to Recommendations that Funds Be Put to Better Use

Table II presents statistical data on audit reports which include recommendations that funds be put to better use by management and which have been agreed to in management decisions. A recommendation that funds be put to better use implies that management's implementation of specific recommendations could result in more efficient use of funds.

Table II
Final Action on Audit Reports with Recommendations That Funds Be Put to Better Use

	Number of Reports	Dollar Value of BUF
A. Balance reported at the end of previous period	3	\$111,110,667
B. Plus: Audit reports on which management decisions were		
made during the period	0	0
C. Total audit reports pending final action during the period	3	\$111,110,667
 D. Audit reports on which final action was taken during the period 1. Value of recommendations implemented (completed) 2. Value of recommendations that management concluded should not or could not be implemented or completed 3. Total audit reports on which final action was taken during the period (D.1. plus D.2.) 	0 1 1	0 \$109,000,000 ¹ \$109,000,000
E. Audit reports needing final action at the end of the period (C. minus D.3.)	2	\$2,110,667

¹ OIG identified approximately \$109 million in cost savings in their audit report entitled, "Accuracy of Student Aid Awards Can Be Improved by Obtaining Income Data from the Internal Revenue Service (IRS)." The Department has taken corrective action that is consistent with OIG's recommendations. However, realizing the recommended cost savings requires obtaining income data from IRS.

Reports Pending Final Action One Year or More After Issuance of a Management Decision

Table III lists audit reports with disallowed costs owed the Department on which final action was not taken within one year of the issuance of a management decision on the report. Disallowed costs are questioned costs that management, in a management decision, has sustained or agreed should not be charged to the federal government. In this category, the Department has a total of 123 reports with disallowed costs amounting to \$83 million and 46 reports in appeal status amounting to \$85 million. Table III also provides information that explains why final action has not been taken. Information such as--

Bankruptcy Proceedings in Process - The debtor has filed for bankruptcy and the case has not yet been decided. The debtor is not billed as long as the bankruptcy case is unresolved.

Billing Cycle in Process - The debtor is actively being billed. The billing process may have begun a long time after the management decision, due to a long appeal process.

Under FIDMG Review - The Financial Improvement and Debt Management Group (FIDMG) is working to resolve the debt. They are negotiating with the debtor to secure repayment.

Table III							
Disallo	Disallowed Costs Owed the Department Pending Final Action One Year or More After						
	Issuance of a Management Decision						
Audit	The state of the s						
Control	Issued	Management	Costs Owed	After one Year			
Number		Decision					
0100001	04/24/91	08/28/91	\$4,500,000	Bankruptcy Proceedings in Process			
0121772	12/07/92	07/22/93	306,562	Bankruptcy Proceedings in Process			
0200007	02/26/91	08/19/91	50,979	Billing Cycle in Process			
0241132	05/02/95	09/25/95	62,814	Bankruptcy Proceedings in Process			
0241133	05/02/95	09/25/95	107,502	Bankruptcy Proceedings in Process			
0241135	05/02/95	09/25/95	99,041	Bankruptcy Proceedings in Process			
0241136	05/02/95	09/25/95	75,476	Bankruptcy Proceedings in Process			
0241270	01/11/95	05/31/95	69,577	Bankruptcy Proceedings in Process			
0241271	01/05/95	05/31/95	79,537	Bankruptcy Proceedings in Process			
0241272	01/11/95	05/31/95	104,391	Bankruptcy Proceedings in Process			
0241275	01/11/95	05/31/95	51,671	Bankruptcy Proceedings in Process			
0250507	07/23/86	07/23/86	654,381	Bankruptcy Proceedings in Process			
0264010	11/08/96	05/14/97	96,306	Bankruptcy Proceedings in Process			
0264011	12/05/97	07/17/98	50,624	Bankruptcy Proceedings in Process			
0264201	10/24/96	05/09/97	50,624	Bankruptcy Proceedings in Process			
0271860	02/09/88	02/09/88	136,484	Bankruptcy Proceedings in Process			
0274223	01/22/98	04/14/98	54,949	Billing Cycle in Process			

Reports Pending Final Action One Year or More After Issuance of a Management Decision

	Table III					
Disallo	Disallowed Costs Owed the Department Pending Final Action One Year or More After					
	Issuance of a Management Decision					
Audit	Date	Date of	Disallowed	Reason Final Action Not Complete		
Control	Issued	Management	Costs Owed	After one Year		
Number		Decision				
0321649	11/10/92	08/31/94	2,608,035	Bankruptcy Proceedings in Process		
0321693	08/11/93	06/30/94	74,921	Bankruptcy Proceedings in Process		
0321767	05/17/93	03/03/94	69,858	Bankruptcy Proceedings in Process		
0371397	09/14/87	09/14/87	185,122	Under DMG Review		
0400006	02/21/92	07/20/93	9,733,395	Under DMG Review		
0410002	05/19/92	11/27/92	132,000	Bankruptcy Proceedings in Process		
0411430	12/23/91	06/30/92	58,496	Bankruptcy Proceedings in Process		
0421347	10/08/92	09/30/93	172,970	Under DMG Review		
0468547	07/15/97	03/17/98	54,886	Under DMG Review		
0478335	11/07/97	08/27/98	1,475,292	Bankruptcy Proceedings in Process		
0488284	09/24/98	03/01/99	85,600	Billing Cycle in Process		
0520004	09/10/92	06/30/94	8,125,988	Bankruptcy Proceedings in Process		
0521353	05/19/92	03/31/94	74,777	Under DMG Review		
0521658	11/19/93	06/30/94	2,546,470	Bankruptcy Proceedings in Process		
0521669	09/12/95	03/27/96	858,533	Bankruptcy Proceedings in Process		
0521705	11/19/93	06/30/94	867,714			
0531344	10/15/93	03/16/94	501,789			
0560456	07/31/87	07/31/87	441,611			
0590510	07/13/89	01/18/90	9,870,407	Under DMG Review		
0601192	05/16/90	04/19/93	1,818,239	Bankruptcy Proceedings in Process		
0621194	10/01/92	07/31/94	1,888,623	Bankruptcy Proceedings in Process		
0621251	10/27/92	09/22/93	61,574	Bankruptcy Proceedings in Process		
0631218	08/30/93	06/30/94	59,959	Under DMG Review		
0631225	08/31/93	06/30/94	50,367	Bankruptcy Proceedings in Process		
0674120	07/15/97	07/25/97	66,915	Billing Cycle in Process		
0680504	06/07/89	08/18/89	1,643,560	Bankruptcy Proceedings in Process		
0681021	10/31/88	10/31/88	706,916	Bankruptcy Proceedings in Process		
0803201	03/07/90	09/25/90	266,719	Under DMG Review		
0911273	08/06/91	02/28/92	78,807	Under DMG Review		
0911291	11/26/91	06/26/92	197,373	Bankruptcy Proceedings in Process		
0920014	09/10/93	05/19/95	522,981	Bankruptcy Proceedings in Process		
0921031	04/01/92	02/26/93	75,164	Bankruptcy Proceedings in Process		
0974150	07/31/97	08/07/98	1,398,081	Bankruptcy Proceedings in Process		
0980313	09/15/89	03/31/92	5,773,983	Bankruptcy Proceedings in Process		
0990501	03/13/91	04/09/92	23,132,778	Bankruptcy Proceedings in Process		

Reports Pending Final Action One Year or More After Issuance of a Management Decision

Disallov	Table III Disallowed Costs Owed the Department Pending Final Action One Year or More After Issuance of a Management Decision					
Audit Control Number	Control Issued Management Costs Owed After one Year					
Subtotal			\$82,230,821			
<\$50,000			\$689,983			
Total			\$82,920,804			
In Appeal			\$85,129,750			

Reports Pending Final Action One Year or More After Issuance of a Management Decision

Table IV lists each OIG prepared internal and nationwide audit report on which final action was not taken within one year of the issuance of a management decision on the report. In this category, the Department has a total of 12 reports

Table IV ED-OIG Prepared Internal and Nationwide Audit Reports Pending Final Action One Year or More After Issuance of a Management Decision

Audit No.	Report Title	Date Issued	Date of Mgmt Decision
03-50201	Coordination and Collaboration Within OSERS to Better Serve Customers and Manage Programs	03/27/97	09/30/97

Status: In January 2000 the MIS for OSERS was completed. Contractors have constructed and implemented an OSERS-wide MIS that responds to the management information needs of the organization. Future refinements and updates will be made periodically as needed. Closure of this report will occur in the next semiannual period.

04-40100 Helping to assure Equalized Educational 08/28/95 08/31/95 Opportunities with HEA, Title III Institutional Aid Funds-Global Performance Measures Needed

Status: The Higher Education Program requested closure on this report. OIG did not receive PAG's official closure prior to March 31, 2000. Closure of this report will occur in the next semiannual period.

04-60001 Process Enhancements in the HEA, Title III, 03/27/96 08/31/96 Institutional Aid Program Would Increase Program Efficiency, Despite Limited Resources

Status: The Higher Education Program is revising the monitoring guide for the Title III program and anticipates distribution to program staff for use in monitoring visits by December 2000.

05-50008 Effectiveness and Efficiency of Debt Collection 11/07/95 04/30/96 Service Areas Related to Internal Operations

Status: The Department is enhancing the guaranty agency software file to allow guaranty agencies to report student loan accounts with incorrect addresses. Expected Completion Date: Fiscal Year 2001.

Reports Pending Final Action One Year or More After Issuance of a Management Decision

Audit No.	Report Title	Date Issued	Date of Mgmt Decision
09-18053	ED Needs to Strengthen Student Loan Cure	03/13/92	09/30/93

Status: The Department is revising the lender due diligence regulations to reflect changes in the 1998 Higher Education Act amendments. Expected Completion Date: Fiscal Year 2001.

11-00333 Greater Emphasis Needed to Deobligate 03/17/94 03/31/94 Unexpected Contract Funds and Close Out Contracts on Time

Status: Per management, all of the contracts that were the subject of this report have been closed. The Post Audit Group will be working with OIG to close this audit during the next semiannual period.

11-90040 The Institutional Eligibility Process Does Not 03/15/91 09/30/93 Provide Adequate Assurance That Only Eligible Schools Participate in the Title IV Programs

Status: Student Financial Assistance previously requested closure of this report. The audit was not closed by OIG, and SFA resubmitted a Corrective Action Plan on 4/28/00.

17-30302 Financial Audit: Federal Family Education Loan 06/30/94 10/31/94 Program's Financial Statements for Fiscal Years 1993 and 1992

Status: SFA is developing a subsidiary ledger to support individual guaranty agency activities (loans receivable, reserve funds, etc.). Estimated Completion Date: October 2000.

17-30305 Annual Interest Grant: Improving the Process for 09/28/95 02/29/96 Paying the Remaining Grants

Status: HEP requested closure of this report. The audit has not been closed by OIG. Closure is anticipated before the end of the next semiannual period.

Reports Pending Final Action One Year or More After Issuance of a Management Decision

Audit No.	Report Title	Date Issued	Date of Mgmt Decision
17-40302	Financial Statement Audit: US Department of Education Federal Family Education Loan Program for The Years Ended September 30, 1994 and 1995	05/31/95	08/31/95

Status: SFA believes that it has completed all of its corrective actions. A revised corrective action plan will be prepared and provided to OCFO and the auditor before June 30, 2000.

17-40303 The Report of Independent Accountants of the US 08/16/96 03/31/97
Department of Education Fiscal Year 1995
Department-wide Statements

Status: SFA believes that it has completed all of its corrective actions. A revised corrective action plan is in process and will be provided to OCFO and the auditors before June 30, 2000.

17-48320 Financial Statement Audit of the US Department 03/17/95 9/30/95 of Education William D. Ford Federal Direct Loan Program

Status: SFA believes that it has completed all corrective actions. A revised corrective action plan is being prepared and will be submitted to OCFO and OIG before June 30, 2000.

Reports Pending Final Action One Year or More After Issuance of a Management Decision

Table V lists audit reports with BUF recommendations on which final action was not taken within one year of the issuance of a management decision on the report. This Table includes one report that involves \$1.9 million which management officials agreed could be put to better use.

TABLE V
ED-OIG Prepared Internal and Nationwide Audit Reports Pending Final Action One Year or More After Issuance of a Management Decision with BUF

Audit No.	Report Title	Date Issued	Date of Mgmt Decision
17-30305	Annual Interest Grant: Improving the Process for Paying the Remaining Grants	09/28/95	02/29/96

Status: HEP requested closure of this report. The audit has not been closed by OIG. Closure is anticipated before the end of the next semiannual period. \$1,910,667

APPENDIX 1 - List of Abbreviations

BUF Recommendation that Funds Be Put to Better Use

CAROI Cooperative Audit Resolution
CARS Common Audit Resolution System

DOJ U. S. Department of Justice

FIDMG Financial Improvement and Debt Management Group

GAO Government Accounting Office

HEA Higher Education Act
HEP Higher Education Program

OALJ Office of Administrative Law Judges

OBEMLA Office of Bilingual Education and Minority Languages Affairs

OCFO Office of the Chief Financial Officer
OCIO Office of the Chief Information Officer

OERI Office of Educational Research and Improvement
OESE Office of Elementary and Secondary Education

OIG Office of Inspector General

OMB Office of Management and Budget OPE Office of Postsecondary Education

OSERS Office of Special Education and Rehabilitative Services

OVAE Office of Vocational and Adult Education

PAG Post Audit Group

PDL Program Determination Letter

PO Principal Office

SFA Office of Student Financial Assistance

APPENDIX 2 - ED Offices With Audit Related Responsibilities

Financial Improvement and Debt Management Group (FIDMG)

FIDMG, located in the OCFO, is responsible for establishing accounts for audit debts owed to the Department and for collecting these debts.

Office of Administrative Law Judges (OALJ)

The OALJ hears appeals of General Educational Provisions Act cases where program determination letters were received by the grantees on or after October 25, 1988. By designation, the OALJ also hears Impact Aid cases and cases arising under the Higher Education Act of 1965, as amended.

In addition, the General Services Administration Board of Contract Appeals hears contract audit disputes.

Office of Inspector General (OIG)

OIG is responsible for, among other things, issuing audit reports concerning Department programs and/or operations. OIG also provides professional and technical advice to the resolution offices before and after the issuance of an audit report.

Office of the General Counsel (OGC)

OGC provides legal advice to Department officials on audit resolution and represents Department officials in appeals of audit resolution decisions, as well as settlement negotiations relating to such appeals.

Post Audit Group (PAG)

PAG, located in the OCFO, provides staff support to the Department's Audit Follow-up Official and manages the Department wide Audit Resolution System. PAG also resolves audits with findings involving direct project grants, subrecipient monitoring, and cash management.

APPENDIX 2 - ED Offices With Audit Related Responsibilities

Resolution Offices

The following offices are responsible for resolving audits:

Office of Bilingual Education and Minority Languages Affairs (OBEMLA)

Office of Educational Research and Improvement (OERI)

Office of Elementary and Secondary Education (OESE)

Office of the Chief Financial Officer (OCFO)

Office of the Chief Information Officer (OCIO)

Office of Postsecondary Education (OPE)

Office of Special Education and Rehabilitation Services (OSERS)

Office of Vocational and Adult Education (OVAE)

Student Financial Assistance (SFA)

APPENDIX 3 - Glossary of Terms

Audit Reports Resolved are reports on which Department management has made a written final determination of the actions to be taken on reports findings and recommendations (cross-reference Management Decision).

BUF – Refer to Recommendation That Funds Be Put to Better Use.

Collections are the act or process of obtaining amounts owed to the Department, such as payment on a debt.

Compromise/Write-offs in ED are referred to as compromises. Compromises are accepting less than the full amount of the debt owed by the debtor in satisfaction of the debt. Write-offs are removal of a claim after an authorized official determines that a debt has a high probability of remaining uncollectable, and all appropriate collection techniques have been used. In the Department these are divided into three categories:

- (a) Compromise/Write-off-DMG ~Any claim in the amount of \$100,000 or less, (exclusive of interest, penalties, and administrative costs) compromised under the authority of 31 U.S. C. 3711 (a)(2);
- (b) Compromise/Write-off-OGC ~ The difference between the amount of a claim and the amount agreed upon to be repaid is \$200,000 or less, under the authority of 20 U.S. C. 1234a(j);
- (c) Compromise/Write-off-DOJ ~ Any claim compromised with the approval of the Department of Justice.

For the purpose of this report, write-offs are included in data on compromises.

Disallowed Costs are questioned costs that management, in a management decision, has sustained or agreed should not be charged to the federal government. As used in this report, disallowed costs include interest, penalties and administrative costs.

External Audits are audits of entities external to ED which focus on local, rather than nationwide, issues; audits which result from special requests by program managers; audits which follow up on issues disclosed in non-federal audits; contract-related and grant-related audits; or other audit activities of organizations external to, but doing business with, the Department.

Final Action is the completion of all actions that the management of a program has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report; in the event that management concludes no action is necessary, final action occurs when a management decision has been made.

Management Decision is the evaluation by management of a program of the findings and recommendations included in a audit report and the issuance of a final decision by management

APPENDIX 3 - Glossary of Terms

concerning its response to such findings and recommendations, including actions concluded to be necessary (cross-reference Audit Reports Resolved).

Offsets are the act of withholding money otherwise due and payable by the Department to a person or entity to satisfy a debt that the person or entity owes the Department.

Other Adjustments are the dollar amounts adjusted and transferred into or out of claim balances during the fiscal year. The amounts may include, but are not limited to corrections to a previously reported claim, refunds of amounts previously reported as collections, and adjustments made in a prior period. The adjustment may be either positive or negative. These transactions will be closed in the next quarter subledger reconciliation.

Other Reductions are amounts reduced on appeal and/or write-offs.

Program Determination Letter (PDL) is the Department's official written notice to the auditee detailing the Department's decision, including all necessary actions and financial adjustments necessary to resolve the findings in an external audit report.

Questioned Costs are expenditures of funds, which the auditor questions because of:

- (a) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or document governing the expenditure of funds, or
- (b) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Recommendation that Funds Be Put to Better Use (BUF) is a recommendation that funds could be used more efficiently if responsible officials took actions to implement and complete the recommendations through:

- (a) reductions in outlays,
- (b) deobligation of funds from programs or operations,
- (c) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds,

APPENDIX 3 - Glossary of Terms

- (d) costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor or grantee; or
- (e) any other savings that are specifically identified.

Recoveries are funds returned by recipients to the Department or to recipients' program accounts or third parties or reductions of future payments or awards as a result of, or during the course of, an audit or investigation. This term does not include court-ordered fines or civil judgments.

Unsupported Cost is a cost that is questioned by the auditor because, at the time of the audit, such cost was not supported by adequate documentation.

IF YOU WOULD LIKE A HARD COPY OF THIS REPORT, PLEASE SEND YOUR REQUEST TO --

SEMIANNUAL REPORT ON AUDIT FOLLOW-UP
U. S. Department of Education
Office of the Chief Financial Officer
400 Maryland Avenue, SW
Washington, DC 20202-4245